
Finance Committee

HB 2158

Brief Description: Concerning the sales of vehicles and associated services to nonresidents of Washington.

Sponsors: Representatives Hasegawa, Fromhold, O'Brien, Orcutt, Condotta, Ormsby, Roach, Kristiansen, Ericks, Curtis, Kenney and Moeller.

Brief Summary of Bill

- Modifies the sales and use taxation of motor vehicles, trailers, and campers.

Hearing Date: 2/21/07

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property (TPP) and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Washington law provides a general sales and use tax exemption for TPP purchased in the state by nonresidents for use outside the state. To qualify for the exemption, a nonresident individual must: (1) be a bona fide resident of a state or possession of the United States or a province of Canada; (2) reside in a state, possession, or province that does not impose a retail sales or use tax of three percent or more, or if imposing such a tax, provides an exemption for Washington residents; (3) agree, when requested, to grant the Department of Revenue (DOR) access to records or other information necessary to confirm that the property is not first used substantially in the state of Washington; and (4) display proof of his or her current nonresident status.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

In lieu of the general sales and use tax exemption, described above, Washington law provides a specific exemption for the purchase of motor vehicles, trailers, and campers by nonresidents for use outside the state. To qualify for the exemption, the vehicle must be: (1) removed from the state under the authority of a trip permit issued by the Department of Licensing; or (2) registered and licensed in the state of the buyer's residence, used in this state for less than three months, and exempt from Washington licensing requirements.

A seller must retain a properly completed buyer's affidavit and seller's certificate. A buyer's affidavit documents the exempt nature of the sale unless there are facts that negate the presumption that the seller relied on the buyer's affidavit in good faith.

Summary of Bill:

The sales and use tax exemption for motor vehicles, trailers, and campers is modified by specifically listing acceptable documentation to substantiate a buyer's nonresident status. As long as a seller maintains this documentation, the seller is not liable for sales tax if the DOR finds evidence during an audit negating the presumption of nonresidency.

Monetary and criminal penalties for fraudulent statements regarding residency relating to the purchase of motor vehicles, campers, and trailers, are made consistent with the penalty provisions in the general sales and use tax exemption for tangible personal property.

The sales and use tax exemption for the purchase of replacement parts for motor vehicles, trailers, and campers by nonresidents, as part of the servicing of a vehicle, trailer, or camper is clarified. To receive the exemption, the charge for replacement parts must be stated separately from any labor and services and the cost of the parts must not exceed either the seller's current publicly stated retail price for parts, or if no separately stated retail price is available, the seller's cost for the parts.

Replacement parts are defined as parts that replace an existing part or maintain the working condition of a motor vehicle, trailer, or camper.

The buyer of a motor vehicle, trailer, or camper is authorized to use a trip permit from their state of residency in lieu of a Washington state vehicle trip permit.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.